

Reconciliation of the U.S.-Canadian Current Account

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THIS ARTICLE presents a detailed description of the reconciliation of the bilateral current-account estimates of Canada and the United States for 1990 and 1991. Such reconciliations have been undertaken by Statistics Canada and the Bureau of Economic Analysis (BEA) each year since 1970.¹ They were initiated because of the extensive economic links between the two countries and the need to explain differences in the Canadian and U.S. published estimates of the bilateral current account. In principle, the bilateral current account of one country should mirror the bilateral current account of the other country.

The reconciliation process has resulted in greater accuracy of the published estimates of transactions between Canada and the United States and in increased efficiency in producing

the estimates. These improvements have been accomplished through the exchange of data between the two countries and the development of improved estimating techniques.

Over 80 percent of the data used by Canada and the United States to compile Canadian-U.S. current-account estimates is now provided through the exchange of data such as the following: U.S. and Canadian merchandise imports (beginning January 1990); services such as travel, passenger fares, inland freight, and government expenditures; unilateral transfers such as pensions; and certain Canadian and U.S. banking data used to estimate interest income. The exchange of data was undertaken in some instances because either the Canadian or the U.S. data were substantially more comprehensive and complete; an example is the exchange of each country's merchandise import data, which were found to be more complete than the other country's export data. In other instances, the exchange of

1. Summary results of the current-account reconciliations were published in the United States in the following issues of the *SURVEY OF CURRENT BUSINESS*: June 1975, September 1976 and 1977, December 1979, June 1981, and December 1981 through 1991. In Canada, the results were published in the following issues of *Canada's Balance of International Payments* (catalogue 67-001), a publication of Statistics Canada: Fourth Quarter 1973, Second Quarter 1976 and 1977, Third Quarter 1978 and 1979, First Quarter 1981, and Third Quarter 1981 through 1991.

Table 1.—Major U.S.-Canadian Balances

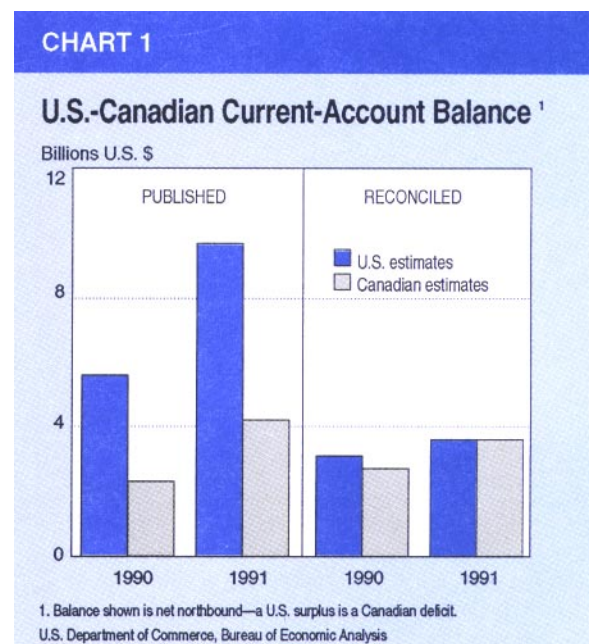
[Billions of U.S. dollars]

	Published estimates		Reconciled estimates ¹	
	United States	Canada	United States	Canada
1990				
Merchandise trade	-10.2	14.4	-13.2	13.2
Services	8.2	-8.0	7.5	-7.2
Investment income	7.9	-9.9	9.0	-9.0
Goods, services, and income	5.9	-3.5	3.3	-3.0
Unilateral transfers, net	-.3	1.2	-.2	.2
Current account	5.6	-2.3	3.1	-2.7
1991				
Merchandise trade	-8.0	12.1	-11.9	11.9
Services	9.6	-9.2	8.6	-8.7
Investment income	8.4	-8.0	7.2	-7.1
Goods, services, and income	10.0	-5.1	3.9	-3.9
Unilateral transfers, net	-.3	.9	-.3	.3
Current account	9.7	-4.2	3.6	-3.6

NOTE.—A U.S. surplus (+) is a Canadian deficit (-), and a Canadian surplus (+) is a U.S. deficit (-).

Details may not add to totals because of rounding.

1. Some differences remain in the reconciled estimates because some service and income estimates could not be fully reconciled.



data was aimed at eliminating duplication of effort, such as the use of the same source data to develop estimates of bilateral travel and passenger fare transactions. The elimination of the processing of export declarations resulted in reductions in some government processing costs, and the elimination of duplicate surveys of U.S. and Canadian travelers resulted in reductions in respondent burden.

The reconciliation process has also resulted in improvements of estimates that are not based on the exchange of data. For example, U.S. compilers revised the methodology for developing some U.S. estimates of portfolio income receipts from Canada, and Canadian and U.S. compilers each effected improvements in Canadian and U.S. source data for a number of service transactions.²

Revisions based on the reconciliations are incorporated into the Canadian and U.S. estimates as far as possible. Complete exchange of data or substitution of reconciled estimates for published estimates is not feasible because of definitional and methodological differences and because estimates of transactions with third countries would be affected in some cases. In addition, for some estimates, protecting the confidentiality of source data bars the exchange of data.

This article has two purposes. The first is to present a detailed analysis of the differences

in published estimates and an explanation of the reconciliation adjustments. The reconciliation process has now evolved to the point where the causes of most differences in published estimates are understood in detail, and a process for reconciling the differences has been developed and tested. In the last few years, considerable progress has been achieved in developing the process, partly resulting from the increased importance given to the reconciliation process by Canadian and U.S. statistical agencies. The second purpose is to present the Canadian-U.S. current-account reconciliation process as a guide for balance of payments compilers in their bilateral reconciliation efforts and to provide detailed information to users of Canadian and U.S. balance of payments statistics.

Major Types of Reconciliation Adjustments

Reconciliation adjustments to each country's published estimates fall into three broad categories—definitional, methodological, and statistical—which reflect the differences that occur in the published estimates.

Definitional and methodological adjustments

Definitional and methodological adjustments are required because of differences in definitions and methodologies used to compile the international accounts in Canada and the United States. These differences may reflect each country's requirements to integrate the external accounts with

2. Details of recent or planned major improvements to the U.S. international accounts were published in the June 1992 issue of the *SURVEY OF CURRENT BUSINESS*, and to the Canadian international accounts, in the Fourth Quarter 1991 issue of *Canada's Balance of International Payments* (catalogue 67-001).

Acknowledgments

The reconciliations were carried out under the direction of Lucie Laliberté, director of Statistics Canada's Balance of Payments Division, and Anthony DiLullo, assistant chief of BEA's Balance of Payments Division. In Statistics Canada, Hugh Henderson, Diane Thibault, Emmanuel Manolikakis, Rick Murat, Bruce Nichols, and Linda Saikaley participated in the reconciliation of the Canadian accounts. Diane Thibault also was responsible for the production and coordination of reconciliation tables. At BEA, Russell Scholl, assisted by Jane Newstedt, was responsible for reconciling the U.S. portfolio income accounts; Mark New, for the accounts related to U.S. direct investment in Canada; and Gregory Fouch, for the accounts related to Canadian direct investment in the United States. The reconciliations were originally under the direction of Evelyn Parrish Lederer, formerly of BEA, and Keith McAlister, formerly of Statistics Canada. Significant contributions to improvements in reconciling investment income were made by John Motala, formerly of Statistics Canada.

The Reconciliation Process

The reconciliation consists of two phases. One is the reconciliation of the merchandise trade account, and the other is the reconciliation of service transactions, investment income, and unilateral transfers.

The task of reconciling the merchandise trade account now consists mainly of reconciling the Canadian and U.S. adjustments made to customs data—the source data of the merchandise trade account—for balance of payments purposes. Until 1990, reconciliation of the customs data was undertaken by the International Trade Division of Statistics Canada and the Foreign Trade Division of the U.S. Bureau of the Census. Cooperation between the two Divisions culminated in the formal exchange of data between Canada and the United States in January 1990, whereby each country uses the other country's import data to compile its merchandise exports.

Reconciliation of service transactions, investment income, and unilateral transfers is less straightforward than reconciliation of merchandise trade. Because of the variety and complexity of the transactions and the differences that can be expected when two independent statistical agencies measure the changing external transactions of their own countries, the reconciliation for nonmerchandise transactions is more of a process than an end. The reconciliation is an important means of explaining definitional, methodological, and statistical differences and of directing research efforts.

domestic accounts. In other instances, there are differences in conventions used by Canadian and U.S. compilers that are largely due to institutional factors. Choice of one definition or methodology over another in developing reconciliation adjustments does not indicate agreement on what the correct definition should be nor on the most appropriate methodology. Often, the choice is based on practical considerations, such as the availability of data.

Among definitional differences, the United States includes reinvested earnings as a component of direct investment income, whereas Canada does not; Canada records merchandise imports on a country-of-shipment basis, whereas the United States records them on a country-

of-origin basis. To achieve reconciliation, a common definition is selected.

Among methodological differences, one country may classify a group of transactions in an account different from that of the other country, or it may record certain transactions on a gross basis rather than a net basis. To achieve reconciliation, transactions are reclassified to a common account and are adjusted to a gross or net basis, as required.

Statistical adjustments

Statistical adjustments mainly reflect differences in data sources and estimation techniques. In addition, differences in private accounting practices

Table 2.—Summary of Reconciliation Adjustments, Northbound

[Millions of U.S. dollars]

	Definitional		Methodological				Statistical		Total	
	United States	Canada	Reclassification		Gross or net		United States	Canada	United States	Canada
			United States	Canada	United States	Canada				
1990										
Merchandise trade	658	-340	-3,537	.....	.....	.....	.....	.....	-2,879	-340
Services .....	.....	-485	3,537	.....	-282	-670	-1,072	-31	2,183	-1,186
Transfers under U.S. military agency sales contracts .....	.....	.....	.....	.....	.....	.....	.....	102	.....	102
Travel .....	.....	.....	.....	.....	.....	.....	-26	.....	-26	.....
Passenger fares .....	.....	.....	.....	.....	.....	.....	-85	.....	-85	.....
Transportation .....	.....	.....	3,687	472	.....	7	-1,474	-65	2,213	414
Inland freight .....	.....	.....	3,687	.....	.....	.....	-1,453	.....	2,234	.....
Other .....	.....	.....	.....	472	.....	7	-21	-65	-21	414
Other services .....	.....	-485	-150	-472	-282	-677	513	-68	81	-1,702
Affiliated .....	.....	-301	.....	.....	.....	.....	452	-233	452	-534
Unaffiliated .....	.....	-184	-150	-472	-282	-677	18	147	-414	-1,186
Government .....	.....	.....	.....	.....	.....	.....	43	16	43	16
Investment income	-4	-580	.....	.....	-580	613	2,281	-298	1,697	-265
Direct	-4	-333	.....	116	.....	-80	41	85	37	-212
Other .....	.....	-247	.....	-116	-580	693	2,240	-383	1,660	-53
Unilateral transfers .....	.....	-172	.....	.....	307	.....	58	.....	365	-172
Total adjustments	654	-1,577	.....	.....	-555	-57	1,267	-329	1,366	-1,963
1991										
Merchandise trade	-35	-693	-3,859	.....	.....	.....	.....	.....	-3,894	-693
Services .....	.....	-484	3,859	.....	-232	-702	-1,329	169	2,298	-1,017
Transfers under U.S. military agency sales contracts .....	.....	.....	.....	.....	.....	.....	.....	129	.....	129
Travel .....	.....	.....	.....	.....	.....	.....	-28	.....	-28	.....
Passenger fares .....	.....	.....	.....	.....	.....	.....	-82	.....	-82	.....
Transportation .....	.....	.....	4,038	479	.....	8	-1,800	-81	2,238	406
Inland freight .....	.....	.....	4,038	.....	.....	.....	-1,799	.....	2,239	.....
Other .....	.....	.....	.....	479	.....	8	-1	-81	-1	406
Other services .....	.....	-484	-179	-479	-232	-710	581	121	170	-1,552
Affiliated .....	.....	-301	.....	.....	.....	.....	459	-225	459	-526
Unaffiliated .....	.....	-183	-179	-479	-232	-710	-117	331	-528	-1,041
Government .....	.....	.....	.....	.....	.....	.....	239	15	239	15
Investment income	-102	-163	.....	.....	-353	565	2,020	-510	1,565	-108
Direct	-102	-5	.....	114	.....	-85	164	-223	62	-199
Other .....	.....	-158	.....	-114	-353	650	1,856	-287	1,503	91
Unilateral transfers .....	.....	-188	.....	.....	320	.....	66	.....	386	-188
Total adjustments	-137	-1,528	.....	.....	-265	-137	757	-341	355	-2,006

in Canada and the United States affect the type of data available from statistical surveys.

There are four broad types of statistical adjustments. First, some adjustments are based on knowledge about the quality and coverage of source data. When one country's source data are believed to be of better quality than the other country's source data, the better source data are used to develop the reconciled estimates. Second, some adjustments are made because the detailed data needed to make two estimates comparable may be available from one country but not the other. Third, adjustments are made to anticipate revisions in source data that become available after publication of the estimates. Fourth, many adjustments are based essentially

on pragmatic factors. When no means of clearly establishing the merits of one country's data are available, reconciled values reflect compromises by the compilers, particularly when the compromise is within a reasonable range of error in measurement. For all types of statistical adjustments, the reconciled values represent the best possible compromise.

Reconciliation of Major Accounts

This section presents a discussion of the reconciliation adjustments made to the major accounts: Merchandise trade, services, investment income, and unilateral transfers. Although numerous adjustments are made, only those that involve

Table 3.—Summary of Reconciliation Adjustments, Southbound

[Millions of U.S. dollars]

	Definitional		Methodological				Statistical		Total	
	Canada	United States	Reclassification		Gross or net		Canada	United States	Canada	United States
			Canada	United States	Canada	United States				
1990										
Merchandise trade	-1,083	1,910	-535	-1,827			119		-1,499	83
Services	-388		535	1,827	-669	-282	126	1,343	-396	2,888
Direct defense expenditures							286		286	
Travel								-19		-19
Passenger fares										
Transportation	-68		966	1,933	7		-41	811	864	2,744
Inland freight			215	1,933			-77	535	138	2,468
Other	-68		751		7		36	276	726	276
Other services	-320		-431	-106	-676	-282	-119	551	-1,546	163
Affiliated	-4						-63	-6		-6
Unaffiliated	-316		-431	-106	-676	-282	-31	501	-1,454	113
Government							-25	56	-25	56
Investment income	-295	1,127			613	-580	312	94	630	641
Direct	-157	1,127			-80		-3	363	-240	1,490
Other	-138				693	-580	315	-269	870	-849
Unilateral transfers	-1,185					306	82		-1,103	306
Total adjustments	-2,951	3,037			-56	-556	639	1,437	-2,368	3,918
1991										
Merchandise trade	-556	2,170	-662	-2,149			324		-894	21
Services	-398		662	2,149	-703	-232	-34	1,449	-473	3,366
Direct defense expenditures							246		246	
Travel								-10		-10
Passenger fares										
Transportation	-70		1,113	2,149	8		-101	949	950	3,098
Inland freight			362	2,149			-151	662	211	2,811
Other	-70		751		8		50	287	739	287
Other services	-328		-451		-711	-232	-179	510	-1,669	278
Affiliated	-4						-181	-5		-5
Unaffiliated	-324		-451		-711	-232	7	455	-1,479	223
Government							-5	60	-5	60
Investment income	-297	2,256			565	-352	560	817	828	2,721
Direct	-154	2,256			-85		290	1,170	51	3,426
Other	-143				650	-352	270	-353	777	-705
Unilateral transfers	-894					321	85		-809	321
Total adjustments	-2,145	4,426			-138	-263	935	2,266	-1,348	6,429

important definitional or methodological differences or that are large in size are discussed in detail. Definitional adjustments, such as the exclusion of reinvested earnings and the reallocation of merchandise imports to the country of shipment, affect the reconciled current-account balance, as do the statistical adjustments. Methodological adjustments, such as reclassification and grossing or netting, are necessary to achieve common treatment, but because they are offsetting, they do not affect the current-account balance.

In this discussion, the term "northbound" refers to U.S. receipts, or Canadian payments. "Southbound" refers to Canadian receipts, or U.S. payments. All values are expressed in U.S. dollars.

For 1990, the difference between the latest U.S. and Canadian published estimates of the U.S.-Canadian current-account balance was \$3.3 billion (table 1). After reconciliation, the difference was reduced to \$0.4 billion. The U.S. reconciled balance was a surplus of \$3.1 billion, and the Canadian reconciled balance was a deficit of \$2.7 billion (chart 1). For 1991, the difference of \$5.5 billion in the published estimates was virtually eliminated; the reconciled balance was a U.S. surplus, or Canadian deficit, of \$3.6 billion. The large differences between the published and reconciled balances mostly reflect definitional adjustments made to merchandise trade, transportation, and investment income (tables 2 and 3). Adjustments to southbound estimates are larger than

Table 4.—U.S.-Canadian Current-Account Reconciliation, Northbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates	
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada
1990								
Northbound goods, services, and income	110,820	113,255	-2,435	111,821	111,464	357	1,001	-1,791
Merchandise trade	82,866	80,327	2,539	79,987	79,987	.....	-2,879	-340
Services	16,222	19,328	-3,106	18,405	18,142	263	2,183	-1,186
Transfers under U.S. military agency sales contracts	102	(¹)	102	102	102	.....	.....	102
Travel	7,093	7,067	26	7,067	7,067	.....	-26	.....
Passenger fares	979	894	85	894	894	.....	-85	.....
Inland freight	(²)	2,234	-2,234	2,234	2,234	.....	2,234	.....
Other transportation	1,079	651	428	1,058	1,065	-7	-21	414
Royalties and license fees	1,179	1,093	86	(³)	(³)	.....	-1,179	-1,093
Other services	5,790	7,389	-1,599	7,050	6,780	270	1,260	-609
Investment income	11,732	13,600	-1,868	13,429	13,335	94	1,697	-265
Direct investment	4,665	4,820	-155	4,702	4,608	94	37	-212
Other private assets/liabilities	7,042	8,780	-1,738	8,727	8,727	.....	1,685	-53
U.S. Government assets	25	(⁴)	25	(⁴)	(⁴)	.....	-25	.....
Unilateral transfers, net .....	.....	.....	.....	.....	.....	.....	.....	.....
Unilateral transfers, gross .....	.....	537	-537	365	365	.....	365	-172
Current account, northbound	110,820	113,792	-2,972	112,186	111,829	357	1,366	-1,963
1991								
Northbound goods, services, and income	113,517	115,171	-1,654	113,486	113,353	133	-31	-1,818
Merchandise trade	85,006	81,805	3,201	81,112	81,112	.....	-3,894	-693
Services	17,982	21,102	-3,120	20,280	20,085	195	2,298	-1,017
Transfers under U.S. military agency sales contracts	129	(¹)	129	129	129	.....	.....	129
Travel	8,499	8,471	28	8,471	8,471	.....	-28	.....
Passenger fares	1,040	958	82	958	958	.....	-82	.....
Inland freight	(²)	2,239	-2,239	2,239	2,239	.....	2,239	.....
Other transportation	1,094	686	408	1,093	1,092	1	-1	406
Royalties and license fees	1,215	1,357	-142	(³)	(³)	.....	-1,215	-1,357
Other services	6,005	7,391	-1,386	7,390	7,196	194	1,385	-195
Investment income	10,529	12,264	-1,735	12,094	12,156	-62	1,565	-108
Direct investment	3,075	3,398	-323	3,137	3,199	-62	62	-199
Other private assets/liabilities	7,433	8,866	-1,433	8,957	8,957	.....	1,524	91
U.S. Government assets	21	(⁴)	21	(⁴)	(⁴)	.....	-21	.....
Unilateral transfers, net .....	.....	.....	.....	.....	.....	.....	.....	.....
Unilateral transfers, gross .....	.....	574	-574	386	386	.....	386	-188
Current account, northbound	113,517	115,745	-2,228	113,872	113,739	133	355	-2,006

1. In the Canadian published accounts, transactions of U.S. military agencies are not shown separately.

2. In the U.S. published accounts, inland freight is included in the merchandise trade account.

3. Royalties and license fees are included in other services for reconciliation.

4. Income on U.S. Government assets is included in income on other private assets in the Canadian published accounts. The same treatment is used for reconciliation.

adjustments to northbound estimates (tables 4 and 5).

Merchandise trade

Most of the differences between published U.S. and Canadian estimates of merchandise trade on a balance of payments basis stem from different treatment of the source data.³ For reconciliation, the main task is resolving those differences in treatment (tables 6 and 7). Four major adjustments are required.

3. Beginning in 1990, the source data are the same for both countries, except for the source data used by Statistics Canada for petroleum exports. The data, except as noted, are compiled from U.S. and Canadian customs documents filed by U.S. and Canadian importers. U.S. merchandise imports are compiled from U.S. customs documents, and U.S. exports (Canadian imports) are compiled from data provided from Canadian customs documents. Similarly, Canadian merchandise imports are compiled from Canadian import documents, and Canadian exports (U.S. imports) are compiled from data provided by the Bureau of the Census from U.S. customs documents.

First, Canadian reexports are added to U.S. estimates of merchandise imports. In the U.S. published estimates, which are on a country-of-origin basis, these imports (Canadian reexports) are attributed to third countries rather than to Canada. A similar adjustment to Canadian imports is not required, because the Canadian published estimates, on a balance of payments basis, are allocated to the country of shipment and thus already include U.S. reexports.

Second, inland freight (freight charges on shipments of exports and imports from the plant to the border) is reclassified in the U.S. accounts from merchandise exports and imports to transportation; this aligns the U.S. treatment with the Canadian treatment.⁴

4. In the U.S. published estimates, inland freight is included in merchandise trade because BEA follows the convention of including the charges for transporting goods to the port of export as part of the value of merchandise

Table 5.—U.S.-Canadian Current-Account Reconciliation, Southbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates	
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States
1990								
Southbound goods, services, and income	109,751	104,910	4,841	108,486	108,522	-36	-1,265	3,612
Merchandise trade	94,681	93,099	1,582	93,182	93,182	.....	-1,499	83
Services	11,352	8,003	3,349	10,956	10,891	65	-396	2,888
Direct defense expenditures	(¹)	286	-286	286	286	.....	286	.....
Travel	3,522	3,541	-19	3,522	3,522	.....	.....	-19
Passenger fares	255	255	.....	255	255	.....	.....	.....
Inland freight	2,330	(²)	2,330	2,468	2,468	.....	138	2,468
Other transportation	361	835	-474	1,087	1,111	-24	726	276
Royalties and license fees	58	67	-9	(³)	(³)	.....	-58	-67
Other services	4,826	3,019	1,807	3,338	3,249	89	-1,488	230
Investment income	3,718	3,808	-90	4,348	4,449	-101	630	641
Direct investment	1,177	-395	1,572	937	1,095	-158	-240	1,490
Other private assets/liabilities	1,510	2,755	-1,245	2,211	2,154	57	701	-601
U.S. Government liabilities	1,031	1,448	-417	1,200	1,200	.....	169	-248
Unilateral transfers, net .....	.....	294	-294	.....	.....	.....	.....	-294
Unilateral transfers, gross	1,703	.....	1,703	600	600	.....	-1,103	600
Current account, southbound	111,454	105,204	6,250	109,086	109,122	-36	-2,368	3,918
1991								
Southbound goods, services, and income	110,079	103,504	6,575	109,540	109,612	-72	-539	6,108
Merchandise trade	93,923	93,008	915	93,029	93,029	.....	-894	21
Services	11,879	8,339	3,540	11,406	11,705	-299	-473	3,366
Direct defense expenditures	(¹)	246	-246	246	246	.....	246	.....
Travel	3,695	3,705	-10	3,695	3,695	.....	.....	-10
Passenger fares	249	249	.....	249	249	.....	.....	.....
Inland freight	2,600	(²)	2,600	2,811	2,811	.....	211	2,811
Other transportation	358	837	-479	1,097	1,124	-27	739	287
Royalties and license fees	2	93	-91	(³)	(³)	.....	-2	-93
Other services	4,975	3,209	1,766	3,308	3,580	-272	-1,667	371
Investment income	4,277	2,157	2,120	5,105	4,878	227	828	2,721
Direct investment	1,667	-1,841	3,508	1,718	1,585	133	51	3,426
Other private assets/liabilities	1,707	2,806	-1,099	2,387	2,293	94	680	-513
U.S. Government liabilities	903	1,192	-289	1,000	1,000	.....	97	-192
Unilateral transfers, net .....	.....	318	-318	.....	.....	.....	.....	-318
Unilateral transfers, gross	1,448	.....	1,448	639	639	.....	-809	639
Current account, southbound	111,527	103,822	7,705	110,179	110,251	-72	-1,348	6,429

1. In the Canadian published accounts, transactions of U.S. military agencies are not shown separately.

2. In the U.S. published accounts, inland freight is included in the merchandise trade account.

3. Royalties and license fees are included in other services for reconciliation.

Third, the repair of equipment reported in the merchandise trade source data is reclassified from services to merchandise trade in the U.S. accounts to align with the Canadian treatment. In the U.S. published estimates, all equipment repairs are included in services.

Fourth, several other balance of payments adjustments are made to the estimates. In the Canadian accounts, the main ones reflect the exclusion, for reconciliation purposes, of valuation differences from Canadian estimates of exports of petroleum and natural gas to the United States and the reclassification of freight on exports of natural gas to transportation. Minor adjustments include the elimination of progress payments for certain military equipment from Canadian imports and the reclassification of processing fees from services to merchandise exports. In the U.S. accounts, most of the other balance of payments adjustments are for timing and valuation differences.

Services

Travel and passenger fares.—Canadian and U.S. published estimates of northbound and southbound travel and passenger fares are based on the same source data and common definitions. Thus, there is no need to reconcile the estimates except to account for timing differences that occur in the publication of revised estimates by Statistics Canada and BEA.

Transportation.—The main differences between Canadian and U.S. published estimates of north-

trade regardless of the method of shipment. The Canadian Balance of Payments Division follows the practice of valuing merchandise trade at the plant and including freight charges in transportation.

bound and southbound transportation transactions are the classification of inland freight and of certain services procured by airlines and railroads.⁵ Canadian published estimates of transportation transactions include inland freight and exclude services procured in port by airlines and railroads. U.S. published estimates reflect the opposite treatment: Inland freight is excluded from transportation, and port services of airlines and railroads are included. For reconciliation, inland freight is reclassified from merchandise trade to transportation in the U.S. accounts, and port services of airlines and railroads are reclassified from business services to transportation in the Canadian accounts (tables 8 and 9). Two remaining classification adjustments—both to the Canadian published accounts—include the reclassification of inland waterways tolls from the Canadian northbound transportation account to the Canadian government services account and the reclassification of estimates of aircraft leasing (northbound and southbound) from business services to transportation.

The single definitional adjustment is the deletion of Canadian estimates of freight receipts

5. Beginning with 1990, the estimates of southbound inland freight have been developed by the Bureau of the Census from data collected on U.S. customs documents; these estimates are used by Statistics Canada and BEA.

Different estimates of northbound inland freight are used by Statistics Canada and BEA. The estimates included in the Canadian published accounts are produced by Statistics Canada's Balance of Payments Division from data of the Transportation Division. The estimates included in the U.S. published accounts, which are larger than those in the Canadian accounts, are developed from Canadian customs documents. For reconciliation, the Canadian estimates are used because they are believed to be more accurate and to conform more closely to the estimates produced by BEA from Census Bureau data until 1990.

Table 6.—Merchandise Trade, Northbound

[Millions of U.S. dollars]

	U.S. receipts	Canadian payments	Type of adjustment
1990			
Balance of payments basis, published.	82,866	80,327	
Less inland freight	3,687	.....	Reclassification
Plus repair of equipment	150	.....	Reclassification
Less other balance of payments adjustments.	-658	340	Definitional
Reconciled	79,987	79,987	
1991			
Balance of payments basis, published.	85,006	81,805	
Less inland freight	4,038	.....	Reclassification
Plus repair of equipment	179	.....	Reclassification
Less other balance of payments adjustments.	35	693	Definitional
Reconciled	81,112	81,112	

Table 7.—Merchandise Trade, Southbound

[Millions of U.S. dollars]

	Canadian receipts	U.S. payments	Type of adjustment
1990			
Balance of payments basis, published.	94,681	93,099	
Plus Canadian reexports .....	.....	1,802	Definitional
Plus repair of equipment .....	.....	106	Reclassification
Less inland freight .....	.....	1,933	Reclassification
Less other balance of payments adjustments.	1,618	-108	Definitional and reclassification
Plus statistical adjustments.	119	.....	Statistical
Reconciled	93,182	93,182	
1991			
Balance of payments basis, published.	93,923	93,008	
Plus Canadian reexports .....	.....	1,965	Definitional
Plus repair of equipment .....	.....	.....	Reclassification
Less inland freight .....	.....	2,149	Reclassification
Less other balance of payments adjustments.	1,218	-205	Definitional and reclassification
Plus statistical adjustments.	324	.....	Statistical
Reconciled	93,029	93,029	

Table 8.—Transportation, Northbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada	Type of adjustment
1990									
Total	1,079	2,885	-1,807	3,292	3,299	-7	2,213	414	
Freight	478	568	-90	512	510	2	34	-58	
Ocean	155	277	-122	199	199	.....	44	-78	Statistical
Air	30	12	18	20	15	5	-10	3	Statistical
Other	293	279	14	293	296	-3	.....	17	Statistical
Port services	513	50	463	367	350	17	-146	300	
Vessel operators	108	37	71	54	37	17	-54	.....	Statistical
Airline operators	300	.....	300	300	300	.....	.....	300	Reclassification and statistical
Other	105	13	92	13	13	.....	-92	.....	Reclassification and statistical
Other	87	33	54	179	205	-26	92	172	Reclassification and statistical
Inland freight .....	.....	2,234	-2,234	2,234	2,234	.....	2,234	.....	Reclassification and statistical
1991									
Total	1,094	2,925	-1,830	3,332	3,331	1	2,238	406	
Freight	437	600	-163	525	517	8	88	-83	
Ocean	124	282	-158	202	202	.....	78	-80	Statistical
Air	40	12	28	20	15	5	-20	3	Statistical
Other	273	306	-33	303	300	3	30	-6	Statistical
Port services	568	52	516	388	369	19	-180	317	
Vessel operators	115	38	77	57	38	19	-58	.....	Statistical
Airline operators	317	.....	317	317	317	.....	.....	317	Reclassification and statistical
Other	136	14	122	14	14	.....	-122	.....	Reclassification and statistical
Other	90	34	56	180	206	-26	90	172	Reclassification and statistical
Inland freight .....	.....	2,239	-2,239	2,239	2,239	.....	2,239	.....	Reclassification and statistical

Table 9.—Transportation, Southbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States	Type of adjustment
1990									
Total	2,691	835	1,856	3,555	3,579	-24	864	2,744	
Freight	234	336	-102	572	572	.....	338	236	
Ocean	123	215	-92	123	123	.....	.....	-92	Statistical
Air	14	32	-18	32	32	.....	18	.....	Statistical
Other	97	89	8	417	417	.....	320	328	Statistical
Port services	24	394	-370	404	428	-24	380	34	
Vessel operators	17	109	-92	25	54	-29	8	-55	Statistical
Airline operators .....	.....	214	-214	322	322	.....	322	108	Reclassification and statistical
Other	7	71	-64	57	52	5	50	-19	Reclassification and statistical
Other	103	105	-2	111	111	.....	8	6	Definitional, reclassification, and statistical
Inland freight	2,330	.....	2,330	2,468	2,468	.....	138	2,468	Reclassification and statistical
1991									
Total	2,958	837	2,121	3,908	3,935	-27	950	3,098	
Freight	229	304	-75	560	560	.....	331	256	
Ocean	123	163	-40	123	123	.....	.....	-40	Statistical
Air	12	43	-31	43	43	.....	31	.....	Statistical
Other	94	98	-4	394	394	.....	300	296	Statistical
Port services	23	422	-399	427	454	-27	404	32	
Vessel operators	16	113	-97	25	57	-32	9	-56	Statistical
Airline operators .....	.....	237	-237	345	345	.....	345	108	Reclassification and statistical
Other	7	72	-65	57	52	5	50	-20	Reclassification and statistical
Other	106	111	-5	110	110	.....	4	-1	Definitional, reclassification, and statistical
Inland freight	2,600	.....	2,600	2,811	2,811	.....	211	2,811	Reclassification and statistical

(southbound) on U.S. exports in transit in Canada. These receipts are reallocated to third countries. In the U.S. treatment, such charges are viewed as payable by the foreign importer (under the balance of payments convention that goods are the property of the importer after they leave the customs frontier of the exporting country) and thus are transactions between Canada and third countries.

The largest statistical adjustment is the reduction of U.S. published estimates of northbound inland freight. The estimates in the Canadian published accounts are believed to be more accurate. In addition, estimates of pipeline freight charges on U.S. imports of natural gas are added to U.S. estimates of southbound inland freight because of undercoverage in the U.S. source data. Finally, U.S. published estimates of freight re-

Table 10.—Other Services, Northbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada	Type of adjustment
1990									
Total	6,971	8,482	-1,511	7,050	6,780	270	81	-1,702	
Private:									
Affiliated	3,408	4,694	-1,286	3,860	4,160	-300	452	-534	Definitional and statistical
Royalties and license fees	1,014	1,250	-236	(¹)	(¹)	(¹)	(¹)	(¹)	
Other services	2,394	3,444	-1,050	(¹)	(¹)	(¹)	(¹)	(¹)	
Unaffiliated	3,056	3,254	-198	2,640	2,070	570	-414	-1,186	
Royalties, license fees, and selected services	114	238	-124	276	276	.....	162	38	Statistical
Insurance	1,338	1,015	323	938	340	598	-400	-675	Gross to net and statistical
Financial services	248	313	-65	272	300	-28	24	-13	Statistical
Education	249	235	14	249	249	.....	.....	14	Statistical
Communications	282	2	280	.....	.....	.....	-282	-2	Gross to net
Business services	453	279	174	381	381	.....	-72	102	Reclassification and statistical
Sports and entertainment	211	389	-178	363	363	.....	152	-26	Statistical
Commuters' wages	54	54	.....	54	54	.....	.....	.....
Trade union transactions	107	107	.....	107	107	.....	.....	.....
Other .....	.....	622	-622	.....	.....	.....	.....	-622	
Commissions .....	.....	143	-143	.....	.....	.....	.....	-143	Definitional
Airline port services .....	.....	300	-300	.....	.....	.....	.....	-300	Reclassification
Railway port services .....	.....	163	-163	.....	.....	.....	.....	-163	Reclassification
Aircraft leasing .....	.....	16	-16	.....	.....	.....	.....	-16	Reclassification
Government:									
United States	65	49	16	65	65	.....	.....	16	Statistical
Canada	442	485	-43	485	485	.....	43	.....	Statistical
1991									
Total	7,220	8,748	-1,528	7,390	7,196	194	170	-1,552	
Private:									
Affiliated	3,401	4,686	-1,285	3,860	4,160	-300	459	-526	Definitional and statistical
Royalties and license fees	1,050	1,249	-199	(¹)	(¹)	(¹)	(¹)	(¹)	
Other service charges	2,351	3,437	-1,086	(¹)	(¹)	(¹)	(¹)	(¹)	
Unaffiliated	3,376	3,391	-15	2,849	2,352	497	-528	-1,041	
Royalties, license fees, and selected services	341	237	104	341	341	.....	.....	104	Statistical
Insurance	1,231	1,046	185	856	337	519	-375	-709	Gross to net and statistical
Financial services	307	361	-54	330	352	-22	23	-9	Statistical
Education	281	251	30	281	281	.....	.....	30	Statistical
Communications	232	1	231	.....	.....	.....	-232	-1	Gross to net
Business services	628	276	352	478	478	.....	-150	202	Reclassification and statistical
Sports and entertainment	194	418	-224	391	391	.....	197	-27	Statistical
Commuters' wages	52	58	-6	58	58	.....	6	.....	Statistical
Trade union transactions	110	114	-4	114	114	.....	4	.....	Statistical
Other .....	.....	629	-629	.....	.....	.....	.....	-629	
Commissions .....	.....	142	-142	.....	.....	.....	.....	-142	Definitional
Airline port services .....	.....	316	-316	.....	.....	.....	.....	-316	Reclassification
Railway port services .....	.....	150	-150	.....	.....	.....	.....	-150	Reclassification
Aircraft leasing .....	.....	21	-21	.....	.....	.....	.....	-21	Reclassification
Government:									
United States	50	38	12	50	53	-3	.....	15	Statistical
Canada	392	631	-239	631	631	.....	239	.....	Statistical

1. Royalties and license fees are combined with other service charges for reconciliation.

ceipts (northbound) and of payments for port services (southbound) are adjusted to match the Canadian estimates. U.S. published estimates of these transactions are developed on a global basis and then allocated by country and region using indicators such as volume of trade and passenger traffic. For reconciliation (and later for revised

U.S. published estimates), Canadian estimates are used because the Canadian source data reflect these bilateral transactions with the United States more accurately than the U.S. source data.

Other services.—Other services are categorized as affiliated transactions, unaffiliated transac-

Table 11.—Other Services, Southbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States	Type of adjustment
1990									
Total	4,884	3,086	1,798	3,338	3,249	89	-1,546	163	
Private:									
Affiliated	1,994	1,583	411	1,927	1,577	350	-67	-6	Definitional and statistical
Royalties and license fees	31	43	-12	(1)	(1)	(1)	(1)	(1)	
Other service charges	1,963	1,540	423	(1)	(1)	(1)	(1)	(1)	
Unaffiliated	2,626	1,320	1,306	1,172	1,433	-261	-1,454	113	
Royalties, license fees, and selected services	139	80	59	136	136	.....	-3	56	Statistical
Insurance	637	226	411	-37	226	-263	-674	.....	Gross to net and statistical
Financial services	185	111	74	185	185	.....	.....	74	Statistical
Education	37	18	19	37	37	.....	.....	19	Statistical
Communications	37	315	-278	35	33	2	-2	-282	Gross to net
Business services	299	301	-2	407	407	.....	108	106	Reclassification and statistical
Sports and entertainment	161	13	148	153	153	.....	-8	140	Statistical
Commuters' wages	140	140	.....	140	140	.....	.....	.....
Trade union transactions	116	116	.....	116	116	.....	.....	.....
Other	875	.....	875	.....	.....	.....	-875	.....
Commissions	291	.....	291	.....	.....	.....	-291	.....	Definitional
Airline port services	322	.....	322	.....	.....	.....	-322	.....	Reclassification
Railway port services	84	.....	84	.....	.....	.....	-84	.....	Reclassification
Aircraft leasing	25	.....	25	.....	.....	.....	-25	.....	Reclassification
U.S. defense expenditures	133	.....	133	.....	.....	.....	-133	.....	Reclassification
Refining fees	20	.....	20	.....	.....	.....	-20	.....	Definitional
Government:									
Canada	76	.....	76	56	56	.....	-20	56	Statistical
United States	188	183	5	183	183	.....	-5	.....	Statistical
1991									
Total	4,977	3,302	1,673	3,308	3,580	-272	-1,669	278	
Private:									
Affiliated	2,010	1,480	530	1,825	1,475	350	-185	-5	Definitional and statistical
Royalties and license fees	31	74	-43	(1)	(1)	(1)	(1)	(1)	
Other service charges	1,979	1,406	573	(1)	(1)	(1)	(1)	(1)	
Unaffiliated	2,727	1,649	1,078	1,248	1,870	-622	-1,479	223	
Royalties, license fees, and selected services	143	99	44	140	140	.....	-3	41	Statistical
Insurance	669	581	88	-41	581	-622	-710	.....	Gross to net and statistical
Financial services	200	138	62	200	200	.....	.....	62	Statistical
Education	39	20	19	39	39	.....	.....	19	Statistical
Communications	94	264	-170	93	93	.....	-1	-171	Gross to net
Business services	268	257	11	387	387	.....	119	130	Reclassification and statistical
Sports and entertainment	163	22	141	156	156	.....	-7	134	Statistical
Commuters' wages	150	142	8	150	150	.....	.....	8	Statistical
Trade union transactions	124	126	-2	124	124	.....	.....	-2	Statistical
Other	877	.....	877	.....	.....	.....	-877	.....
Commissions	295	.....	295	.....	.....	.....	-295	.....	Definitional
Airline port services	345	.....	345	.....	.....	.....	-345	.....	Reclassification
Railway port services	80	.....	80	.....	.....	.....	-80	.....	Reclassification
Aircraft leasing	26	.....	26	.....	.....	.....	-26	.....	Reclassification
U.S. defense expenditures	107	.....	107	.....	.....	.....	-107	.....	Reclassification
Refining fees	24	.....	24	.....	.....	.....	-24	.....	Definitional
Government:									
Canada	76	.....	76	60	60	.....	-16	60	Statistical
United States	164	175	-11	175	175	.....	11	.....	Statistical

1. Royalties and license fees are combined with other service charges for reconciliation.

tions, and government transactions. Affiliated transactions cover transactions between parent companies and affiliated companies. Unaffiliated transactions cover transactions between all other private residents of Canada and of the United States. Canadian government transactions (Federal and Provincial) cover transactions with the U.S. Government and U.S. private residents, and U.S. government transactions include transactions with the Canadian governments and Canadian private residents. In addition, royalties and license fees, both affiliated and unaffiliated, are combined with other service charges for reconciliation because the Canadian definition of royalties and license fees is broader than the U.S. definition.

Affiliated transactions are adjusted to remove taxes from the Canadian published estimates (tables 10 and 11). Statistical adjustments to the U.S. published estimates include an increase in receipts and payments of U.S. parent companies for service charges. Statistical adjustments to the Canadian published estimates reflect reductions of the estimate for undercoverage of service charges.

Unaffiliated transactions are adjusted for reclassification, netting and grossing, and statistical differences. In the U.S. accounts, installation, maintenance, and repair of equipment are reclassified to merchandise trade, and U.S. receipts for medical services covered by Canadian Provincial health insurance programs are reclassified to Canadian government services. In the Canadian accounts, airline and railway port services and aircraft leasing estimates are reclassified from services to the transportation account, and commissions on merchandise trade are removed.⁶ For communications, northbound estimates are netted against southbound estimates for comparison and reconciliation. Detailed comparisons cannot be undertaken because of the confidentiality of source data. In addition, Canadian estimates of insurance transactions are adjusted to a net basis: Receipts reflect premiums received less losses paid, and payments reflect premiums paid less losses recovered. Canadian published estimates include premiums received plus losses recovered as receipts, and premiums paid plus losses paid as payments.

6. Commissions on merchandise trade were omitted from the reconciliation pending completion of a valuation study by Statistics Canada. Similarly, estimates of Canadian mail-order imports—which are included in the Canadian accounts, but not the U.S. accounts, as a balance of payments adjustment to customs trade data—were omitted from the reconciled estimates pending further review by BEA.

Statistical adjustments—mainly to business, professional, and technical services and to sports and entertainment—reflect pragmatic adjustments made to Canadian and U.S. estimates to achieve reconciliation. In most cases, the adjustments involve raising either the Canadian or the U.S. published estimates, whichever are smaller, to the level of the other country's estimates; this approach is taken because the smaller estimates often reflect a narrower coverage in source data.

The differences that remain after reconciliation of unaffiliated services estimates are related to transactions of insurance companies. These transactions could not be reconciled, because of basic differences in accounting conventions and data collection methods for this industry in the United States and Canada.

Reconciliation of government services transactions requires only statistical adjustments that reflect timing differences in the publication of revised estimates. Estimates of Canadian government and U.S. government transactions are exchanged by Statistics Canada and BEA.

Investment income

Direct investment income.—To achieve a common definition of direct investment income, the U.S. published estimates are adjusted to exclude reinvested earnings of incorporated affiliates, and the Canadian published estimates are adjusted to exclude taxes (tables 12 and 13). Other definitional adjustments to Canadian published estimates include changing the estimates of income of insurance affiliates to an accrual basis from a cash basis and eliminating dividends that in the U.S. accounts are recorded as payments to holding companies in third countries but in the Canadian accounts are recorded as receipts from the United States. In addition, some dividends are reclassified in the Canadian accounts from portfolio income to direct investment income. Finally, Canadian estimates of interest receipts and payments are adjusted to a net basis for comparability with the U.S. estimates.

When final data become available, statistical adjustments to published northbound distributed earnings (dividends) are usually not required or are small. When only preliminary data are available, the U.S. published estimates are often raised to account for underestimation of data not yet reported, and the Canadian published estimates are reduced to account for overestimation of such data.

Statistical adjustments to southbound distributed earnings (dividends) are confined to the

U.S. estimates, which are usually raised to match the Canadian estimates. Canadian estimates include a number of small dividends that are not reported in the U.S. source data, possibly because of reporting exemptions.

Statistical differences in published estimates of northbound and southbound income of unincorporated affiliates (branches) are mainly in the

banking, insurance, and real estate industries. Canadian estimates of income from bank affiliates are adjusted to reflect the estimated effects of changes in loan loss reserves on income; the U.S. estimates already reflect such changes. Reconciliation of income from affiliates in the insurance industry is not possible, because of differences in accounting practices and statistical surveys in

Table 12.—Direct Investment Income, Northbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada	Type of adjustment
1990									
Direct investment income	4,665	4,820	-155	4,702	4,608	94	37	-212	
Less reinvested earnings of incorporated affiliates.	5	.....	5	.....	.....	.....	-5	.....	Definitional
Less taxes .....	.....	595	-595	.....	.....	.....	.....	-595	Definitional
Adjusted income	4,660	4,225	435	4,702	4,608	94	42	383	
Dividends	3,559	3,696	-137	3,600	3,600	.....	41	-96	Definitional and reclassification
Earnings of unincorporated affiliates.	506	150	356	506	412	94	.....	262	Definitional, reclassification, and statistical
Net interest	596	379	217	596	596	.....	.....	217	Reclassification, gross to net, and statistical
1991									
Direct investment income	3,075	3,398	-323	3,137	3,199	-62	62	-199	
Less reinvested earnings of incorporated affiliates.	102	.....	102	.....	.....	.....	-102	.....	Definitional
Less taxes .....	.....	394	-394	.....	.....	.....	.....	-394	Definitional
Adjusted income	2,973	3,004	-31	3,137	3,199	-62	164	195	
Dividends	1,836	2,418	-582	2,000	2,000	.....	164	-418	Definitional, reclassification, and statistical
Earnings of unincorporated affiliates.	518	192	326	518	580	-62	.....	388	Definitional, reclassification, and statistical
Net interest	619	394	225	619	619	.....	.....	225	Reclassification, gross to net, and statistical

Table 13.—Direct Investment Income, Southbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States	Type of adjustment
1990									
Direct investment income	1,177	-395	1,572	937	1,095	-158	-240	1,490	
Less reinvested earnings of incorporated affiliates.	.....	-1,127	1,127	.....	.....	.....	.....	1,127	Definitional
Less taxes	24	.....	24	.....	.....	.....	-24	.....	Definitional
Adjusted income	1,153	732	421	937	1,095	-158	-216	363	
Dividends	554	329	225	421	421	.....	-133	92	Statistical
Earnings of unincorporated affiliates.	510	14	496	127	285	-158	-383	271	Definitional and statistical
Net interest	89	389	-300	389	389	.....	300	.....	Gross to net and statistical
1991									
Direct investment income	1,667	-1,841	3,508	1,718	1,585	133	51	3,426	
Less reinvested earnings of incorporated affiliates.	.....	-2,256	2,256	.....	.....	.....	.....	2,256	Definitional
Less taxes	35	.....	35	.....	.....	.....	-35	.....	Definitional
Adjusted income	1,632	415	1,217	1,718	1,585	133	86	1,170	
Dividends	729	750	-21	750	750	.....	21	.....	Statistical
Earnings of unincorporated affiliates.	747	-754	1,501	549	416	133	-198	1,170	Definitional and statistical
Net interest	156	419	-263	419	419	.....	263	.....	Gross to net and statistical

Canada and the United States; a partial reconciliation of the northbound estimates is possible by comparing the combined income of incorporated and unincorporated affiliates (subsidiaries and branches) and converting the Canadian estimates to an accrual basis (inclusive of reinvested earnings of incorporated affiliates). Differences in income of affiliates in the real estate industry are traceable to problems in source data.

Other private investment income (portfolio).—Most reconciliation adjustments made to other private investment income are to account for differences in gross or net treatment of certain estimates of interest income of banks and to compensate for differences in source data (tables 14 and 15).⁷

7. Some adjustments could be developed further if the related capital positions were reconciled. For example, differences in estimates of income

Table 14.—Other Investment Income, Northbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada	Type of adjustment
1990									
Other investment income	7,067	8,780	-1,713	8,727	8,727		1,660	-53	
Securities	3,875	5,259	-1,384	5,049	5,049		1,174	-210	Definitional, reclassification, and statistical
Dividends	381	644	-263	616	616		235	-28	Definitional and statistical
Interest on bonds	3,494	4,615	-1,121	4,433	4,433		939	-182	
U.S. claims/Canadian liabilities	3,192	3,521	-329	3,678	3,678		486	157	
U.S. bank claims	1,669	715	954	1,027	1,027		-642	312	Gross to net and statistical
Other private U.S. claims	1,498	2,806	-1,308	2,651	2,651		1,153	-155	Net to gross, gross to net, and statistical
U.S. Government claims	25		25				-25		Reclassification
1991									
Other investment income	7,454	8,866	-1,412	8,957	8,957		1,503	91	
Securities	4,630	5,955	-1,325	5,771	5,771		1,141	-184	Definitional, reclassification, and statistical
Dividends	554	475	79	475	475		-79		Definitional and statistical
Interest on bonds	4,076	5,480	-1,404	5,296	5,296		1,220	-184	
U.S. claims/Canadian liabilities	2,824	2,911	-87	3,186	3,186		362	275	
U.S. bank claims	1,464	654	810	1,018	1,018		-446	364	Gross to net and statistical
Other private U.S. claims	1,339	2,257	-918	2,168	2,168		829	-89	Net to gross and statistical
U.S. Government claims	21		21				-21		Reclassification

Table 15.—Other Investment Income, Southbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States	Type of adjustment
1990									
Other investment income	2,541	4,203	-1,662	3,411	3,354	57	870	-849	
Securities	1,078	1,338	-260	1,255	1,255		177	-83	Definitional and statistical
Dividends	897	975	-78	975	975		78		Definitional and statistical
Interest on bonds	181	363	-182	280	280		99	-83	
Canadian claims/U.S. liabilities	432	1,417	-985	956	899	57	524	-518	
Canadian bank claims	-92	862	-954	489	432	57	581	-430	Net to gross, gross to net, and statistical
Other Canadian claims	524	555	-31	467	467		-57	-88	Net to gross and statistical
U.S. Government liabilities	1,031	1,448	-417	1,200	1,200		169	-248	Statistical
1991									
Other investment income	2,610	3,998	-1,387	3,387	3,293	94	777	-705	
Securities	1,164	1,479	-315	1,345	1,345		181	-134	Definitional and statistical
Dividends	969	1,000	-31	1,000	1,000		31		Definitional and statistical
Interest on bonds	195	479	-284	345	345		150	-134	
Canadian claims/U.S. liabilities	544	1,327	-783	1,042	948	94	498	-379	
Canadian bank claims	76	873	-797	642	548	94	566	-325	Net to gross, gross to net, and statistical
Other Canadian claims	468	454	14	400	400		-68	-54	Net to gross and statistical
U.S. Government liabilities	903	1,192	-289	1,000	1,000		97	-192	Statistical

Canadian estimates of income received and paid on bank claims and liabilities are published on a net basis (receipts on claims less payments on liabilities), whereas the U.S. estimates are published on a gross basis. With one exception, the Canadian estimates are converted to a gross basis for reconciliation. On a gross basis, the Canadian estimates of receipts and payments of income between affiliated U.S. and Canadian banks substantially exceed the U.S. estimates. On a net basis, these U.S. and Canadian estimates are almost identical, so for reconciliation the U.S. estimates are adjusted to a net basis. The reason for the pattern, while unclear, may be due to differences in reporting definitions. Income on other bank claims—U.S. banks' income from unaffiliated Canadian banks and non-bank Canadian residents and Canadian banks' income from unaffiliated U.S. banks and non-bank U.S. residents—are reconciled for statistical differences.

Most adjustments to income on securities are made to the U.S. estimates. First, U.S. estimates of income receipts from holdings of Canadian bonds (northbound) are aligned with the Canadian estimates. The U.S. estimates are based on estimated U.S. holdings that are initially developed from partial information on placements and retirements of Canadian bonds. For reconciliation, the Canadian estimate of U.S. receipts is used because Statistics Canada calculates U.S. receipts from a detailed inventory of individual Canadian bonds held by nonresidents that reflects actual placements and retirements. Because of unexplained discrepancies in source data, both Canadian and U.S. estimates of income payments on U.S. corporate bonds (southbound) are arbitrarily adjusted to a common level.

Second, U.S. estimates of northbound dividends are adjusted to the Canadian level on the assumption that the source data on dividend payments is more comprehensive than the source data on receipts. Canadian estimates of southbound dividends are adjusted to the U.S. level for the same reason.

Third, Canadian and U.S. estimates of U.S. income payments on U.S. Government liabilities are adjusted to a common level. The Canadian published estimates are smaller than the


U.S. published estimates. Canadian compilers assume that a portion of U.S. Government securities purchased by Canadians are for the accounts of U.S. insurance affiliates of Canadian parent companies. Under this assumption, the assets and the income are for the accounts of U.S. residents (U.S. branches of Canadian companies) and are domestic U.S. transactions. The U.S. estimates are based on the assumption that the purchases are for Canadian accounts. For reconciliation, the published estimates are adjusted to an arbitrary midpoint.

Finally, U.S. estimates are adjusted to include U.S. interest payments on foreign currency deposits in U.S. banks to reconcile with the Canadian estimates. It is unclear whether all these deposits are interest bearing. In addition, some small statistical adjustments are made to the Canadian and U.S. accounts to reconcile miscellaneous commercial transactions.

Unilateral transfers

The largest adjustment in reconciling unilateral transfers is the removal of taxes from Canadian published estimates. In addition, U.S. estimates, which are published on a net basis, are converted to a gross basis to align with the Canadian treatment. Finally, small statistical adjustments are made to U.S. northbound estimates and to Canadian southbound estimates to compensate for lack of coverage in source data.

Summary

The reconciliations have resulted in a detailed understanding of most of the differences in the published bilateral estimates; U.S. and Canadian compilers have used this knowledge to increase the accuracy of published estimates and to improve estimating techniques. Most of the differences in the published estimates of the current-account balance now reflect a few definitional and statistical differences. Recommendations of the forthcoming *Balance of Payments Manual* (fifth edition) of the International Monetary Fund may result in adjustments to published estimates that would resolve some of the definitional differences; further research and reconciliation of capital-account differences may resolve some of the statistical differences. 

may be due to differences in assumptions about yields or in reported income, as well as differences in the estimates of the level of claims and liabilities.